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PHILIP MORRIS BRANDS SARL v. GOODNESS FOR IMPORT AND EXPORT & ORS

HIGH COURT MALAYA, KUALA LUMPUR
WONG KIAN KHEONG JC
[CIVIL SUIT NO: 22IP-42-09-2012]
B 29 JUNE 2017

INTELLECTUAL PROPERTY: *Trade marks – Registered trade mark – Infringement of – Whether elements of infringement proven – Transhipment of goods – MALIMBO brand of cigarettes found in containers belonging to first* C *defendant at Klang Port – Whether identical or resembled MARLBORO trade marks – Whether likely to deceive or cause confusion to the public – Whether MALIMBO had incorporated 'distinguishing' or 'essential' features of the MARLBORO mark – Whether first defendant had used MALIMBO mark 'in the course of trade' – Whether misrepresentation calculated to injure plaintiff's business* D *and goodwill – Whether MALIMBO cigarettes deemed imported goods under Customs Act 1967 – Whether substantial damage caused to plaintiff's property in MARLBORO goodwill by reason of first defendant's transhipment of MALIMBO cigarettes which closely resembled MARLBORO cigarettes as was likely to deceive and/or confuse consumers and traders in cigarettes – Whether transhipment of* E *MALIMBO cigarettes infringed MARLBORO trade marks – Trade Marks Act 1976, s. 38(1)(a)*

INTELLECTUAL PROPERTY: *Trade marks – Registered trade mark – Passing off – Whether elements of passing off proven – Transhipment of goods – MALIMBO brand of cigarettes found in containers belonging to first defendant at Klang Port* F *– Whether identical or resembled MARLBORO trade marks – Whether likely to deceive or cause confusion to public – Whether misrepresentation calculated to injure plaintiff's business and goodwill – Whether plaintiff could lose sales of MARLBORO cigarettes and the exclusive use of MARLBORO get up and trade name – Whether substantial damage caused to plaintiff's property in MARLBORO* G *goodwill by reason of first defendant's transhipment of MALIMBO cigarettes which closely resembled MARLBORO cigarettes as was likely to deceive and/or confuse consumers and traders in cigarettes – Trade Marks Act 1976, s. 38(1)(a), 48(1) – Customs Act 1967, ss. 2(1), 45*

INTELLECTUAL PROPERTY: *Trade marks – Registered trade mark –* H *Injunction – Transhipment of goods – MALIMBO brand of cigarettes found in containers belonging to first defendant at Klang Port – Whether identical or resembled MARLBORO trade marks – Whether likely to deceive or cause confusion to public –Whether substantial damage caused to plaintiff's property in MARLBORO goodwill by reason of first defendant's transhipment of MALIMBO* I *cigarettes which closely resembled MARLBORO cigarettes as was likely to deceive and/or confuse consumers and traders in cigarettes – Whether court had discretion to grant mandatory injunction to order Royal Malaysian Customs Department to destroy MALIMBO cigarettes – Whether a prohibitory injunction granted* to

restrain first defendant from infringing MARLBORO trade marks and to pass off MALIMBO cigarettes as MARLBORO cigarettes – Trade Marks Act 1976, s. 38(1)(a), 48(1) – Specific Relief Act 1950, s. 53

This case concerned a transhipment of goods owned by the first defendant ('first defendant'), a business entity in Egypt. The goods were to be shipped in 12 containers from Vietnam to Egypt with transhipment in Malaysia. When the 12 containers of goods belonging to the first defendant were at Klang Port, the Royal Malaysian Customs Department ('RMCD') seized ten out of the 12 containers (ten containers). This seizure was made because it was declared in the Customs Declaration Form that all the 12 containers contained 'Omani Marble' (false customs declaration). The ten containers did not contain Omani Marble but 'MALIMBO' brand of cigarettes ('MALIMBO cigarettes'). The plaintiff company ('plaintiff') owned 28 MARLBORO trade marks registered in the Malaysian Register of Trade Marks (MARLBORO trade marks) for goods in Class 34 (which includes, among others, cigarettes) (MARLBORO cigarettes). The plaintiff filed this action against five defendants based on infringement of MARLBORO trade marks and tort of passing off in respect of MARLBORO cigarettes. It was the plaintiff's case that MARLBORO marks were universally understood by the relevant trade and public to indicate MARLBORO cigarettes from the plaintiff and no other entity, thus the plaintiff had acquired substantial and valuable goodwill and reputation in MARLBORO trade marks in this country. According to the plaintiff, the MALIMBO mark was identical or so closely resembled MARLBORO trade marks as was likely to deceive or cause confusion on the course of trade in cigarettes because the MALIMBO mark had incorporated MARLBORO's roof device and roof line device and the MALIMBO mark used the same colour scheme of red, white and black as used in MARLBORO trade marks. It was the plaintiff's stand that the MALIMBO word was confusingly or deceptively similar to MARLBORO as there were visual similarities regarding the font, styling and colour. The first defendant had counterclaimed for, among others, a declaration that the first defendant had not infringed MARLBORO trade marks. The defendant submitted that the MALIMBO trade mark had been registered in the United Arab Emirates and its cigarettes were freely sold in Middle East and North Africa. The first defendant had never sold MALIMBO cigarettes in Malaysia and had never used MALIMBO mark in Malaysia. As such, according to the first defendant, there was no likelihood of confusion or deception of the Malaysian public regarding MALIMBO and MARLBORO cigarettes. The first defendant further went on to argue that the first defendant had not passed off MALIMBO cigarettes as MARLBORO cigarettes. The issues that arose in this case were (i) whether the first defendant's transhipment of MALIMBO cigarettes had (a) infringed MARLBORO trade marks under s. 38(1)(a) of the Trade Marks Act 1976 ('TMA'); and/or (b) constituted a tort of passing off MALIMBO cigarettes as MARLBORO cigarettes when the MALIMBO cigarettes in the ten containers were not sold or offered to be sold in

Malaysia; were not taken out of the ten containers and no tax or customs duty was imposed by Malaysian authorities on the MALIMBO cigarettes; (ii) whether the first defendant could counterclaim against plaintiff based on the allegation that this suit was frivolous, vexatious and/or an abuse of court process; (iii) should compensatory, exemplary and aggravated damages be awarded against the first defendant; and (iv) whether the court could order RMCD to destroy MALIMBO cigarettes in the ten containers at the first defendant's expense.

Held (allowing plaintiff's claim):

(1) The first defendant was neither the registered proprietor nor the registered user (within the meaning of s. 48(1) TMA) of the MARLBORO's trade marks. As such, the first element of trade mark infringement was fulfilled in this case. The MALIMBO mark was represented in print or visual form in MALIMBO cigarettes in the ten containers as understood in s. 3(2)(a) of the TMA and was used 'upon' MALIMBO cigarettes in the ten containers within the meaning of s. 3(2)(b) of the TMA. The use of MALIMBO mark 'upon' MALIMBO cigarettes in the ten containers was in Malaysian territory although MALIMBO cigarettes had not been taken out of the ten containers and the ten containers did not leave the free zone in Klang Port. The effect of a free zone under s. 4 of the Free Zones Act 1990 ('FZA') provides that subject to FZA and specific prohibition by law, goods and services 'may be brought into, produced, manufactures or provided in a free zone without payment of any customs duty, excise duty, sales tax or service tax.' The fact that goods were kept in a free zone did not mean that the ten containers were not physically in Malaysian territory and ousted the application of, among others, s. 38(1)(a) of the TMA and the tort of passing off. (paras 23-28)

(2) This court would have to ascertain whether the 13 MARLBORO trade marks (Annexure D) had any 'distinguishing' or 'essential' feature which could be remembered by traders and consumers of cigarettes which 'strikes the eye and fixes itself in the recollection.' It was found that the 13 MARLBORO trade marks had the following distinguishing or essential features (a) roof devices and roof line devices and (b) roof device variations. A visual comparison between the 13 MARLBORO Trade Marks and MALIMBO mark showed that the MALIMBO mark had incorporated the distinguishing or essential features of the 13 MARLBORO trade marks, namely the said roof devices, roof line devices and roof device variations; MALIMBO mark used the same red, white and black colours as used in the 13 MARLBORO trade marks; both MALIMBO and MARLBORO words shared the same structure and the same syllables 'MA' and 'O'; there were similarities between 'MALIMBO' and 'MARLBORO' words regarding the style, type and size of font; and MALIMBO mark had similar get up, positioning of the

word MALIMBO arrangement of MALIMBO mark and overall impression as the 13 MARLBORO trade marks. There was thus a close resemblance between the 13 MARLBORO trade marks and MALIMBO mark as was likely to deceive or confuse the relevant trade and public. (paras 30 & 31)

(3) The phrase 'in the course of trade' in s. 38(1) TMA is not confined to, *inter alia,* manufacture of goods in Malaysia, import of goods into Malaysia, offer to sell goods in Malaysia, sale of goods in Malaysia or marketing, promotion or advertisement of goods in Malaysia. The transhipment of ten containers of MALIMBO cigarettes in Malaysia constituted a use of MALIMBO mark on cigarettes 'in the course of trade' within the meaning of s. 38(1) TMA because the transhipment was a (a) business conducted for profit; (b) business of a specified nature and/or (c) transaction with a person for a thing. The MALIMBO mark was used on cigarettes before the ultimate delivery or sale of MALIMBO cigarettes to the first defendant's customers in Egypt and the substantial quantity of MALIMBO cigarettes in the ten containers clearly showed that the first defendant had intended to use MALIMBO mark for the purpose of trade. Due to the false customs declaration, the MALIMBO cigarettes in the ten containers were not 'goods *bona fide* in transit' but were deemed 'uncustomed goods' in ss. 2(1) and/or 45 of the Customs Act 1967 ('CA'). As such, the MALIMBO Cigarettes were imported goods within the meaning of the term 'import' in s. 2(1) of the CA. The MALIMBO cigarettes in the ten containers were deemed imported goods under the CA. Accordingly, the first defendant could not now assert that the MALIMBO cigarettes had not been imported into Malaysia. (paras 37-40)

(4) It was clear that the MALIMBO mark had been used on cigarettes (the same Class 34 as the 13 MARLBORO trade marks) in the ten containers. The MALIMBO mark had been used on cigarettes in this case in such a manner as to render the use of MALIMBO mark likely to be taken as being used as a trade mark. The plaintiff had discharged the legal and evidential burden to prove on a balance of probabilities that the transhipment of ten containers of MALIMBO cigarettes in Klang Port had infringed the 13 MARLBORO trade marks under s. 38(1)(a) of the TMA. (paras 40, 41 & 46)

(5) The first defendant had passed off MALIMBO cigarettes in the ten containers as MARLBORO cigarettes. The first defendant's misrepresentation was calculated to injure the plaintiff's business and goodwill in MARLBORO get up and trade name in the sense that this was a reasonably foreseeable consequence. There was damage caused to the plaintiff's business as MALIMBO cigarettes and MARLBORO cigarettes were in direct competition with one another and consequently the court would readily infer that the plaintiff had lost sales of

MARLBORO cigarettes and the exclusive use of MARLBORO get up and trade name. The plaintiff was the owner of MARLBORO goodwill in Malaysia which was of substantial value; and the plaintiff had suffered substantial damage to the plaintiff's property in MARLBORO goodwill by reason of the first defendant's transhipment of MALIMBO cigarettes which closely resembled MARLBORO cigarettes as was likely to deceive and/or confuse consumers and traders in cigarettes. (paras 51-53)

(6) Therefore, the plaintiff's claim against the first defendant for trade mark infringement and tort of passing off was allowed. Consequently, the plaintiff's suit against the first defendant was not frivolous, vexatious and/or an abuse of court process. The first defendant had no cause of action against the plaintiff so as to sustain the counterclaim. Compensatory and exemplary damages have been awarded to the plaintiff. (paras 59, 60 & 64)

(7) The civil court has a discretion to grant a perpetual mandatory injunction to order RMCD to destroy MALIMBO cigarettes in the ten containers at the first defendant's expense. Such a discretionary power is clear from s. 53 of the Specific Relief Act 1950 ('SRA').This court exercised the discretion under s. 53 SRA and its illustration (g) to order RMCD to destroy MALIMBO cigarettes in the ten containers. A perpetual prohibitory injunction was also granted to restrain the first defendant from infringing MARLBORO trade marks and to pass off MALIMBO cigarettes as MARLBORO cigarettes. Malaysian ports, airports and territory could not be used to transit goods by any mode which infringed Malaysian registered trade marks or which constituted the subject matter of a tort of passing off (actionable in Malaysia). (paras 66-69)

Case(s) referred to:

Al Rashidy Kassim & Ors v. Rosman Roslan [2007] 3 CLJ 361 FC ***(refd)***

Aristoc Ltd v. Rysta Ltd & Anor [1945] 1 All ER 34 ***(refd)***

Danone Biscuits Manufacturing (M) Sdn Bhd (formerly known as Britania Brands (M) Sdn Bhd) v. Hwa Tai Industries Bhd [2010] 4 CLJ 711 HC ***(refd)***

Doretti Resources Sdn Bhd v. Fitters Marketing Sdn Bhd & Ors And Another Case [2017] 1 LNS 738 HC ***(refd)***

Eli Lilly v. 8PM Chemists Ltd [2008] FSR 12 ***(refd)***

Erven Warnink v. Townend & Sons (Hull) Ltd [1979] AC 731 ***(refd)***

Goodness For Import and Export v. Philip Morris Brands SARL [2016] 7 CLJ 303 FC ***(refd)***

GS Yuasa Corporation v. GBI Marketing Sdn Bhd [2016] 1 LNS 978 HC ***(refd)***

L'Oreal SA v. eBay International AG [2009] EWHC Civ 1094 ***(refd)***

Leo Pharmaceutical Products Ltd AS (Lovens Kemiske Fabrik Produktionsaktieselskab) v. Kotra Pharma (M) Sdn Bhd (No 2) [2012] 10 CLJ 507 HC ***(refd)***

Mesuma Sports Sdn Bhd v. Majlis Sukan Negara Malaysia; Pendaftar Cap Dagangan Malaysia (Interested Party) [2015] 9 CLJ 125 FC ***(refd)***

Mesuma Sports Sdn Bhd v. Majlis Sukan Negara, Malaysia; Pendaftaran Cap Dagangan, Malaysia (Intervener) [2014] 1 LNS 1055 CA ***(refd)***
MI & M Corporation & Anor v. A Mohamed Ibrahim [1964] 1 LNS 105 FC ***(refd)***
Montex Holdings v. Diesel [2006] ECR I 1-10881 ***(dist)***
Ng Kim Huat v. PP [1961] 1 LNS 73 HC ***(dist)***
Nokia Corporation v. Her Majesty's Commissioners of Revenue & Customs [2010] FSR 5 ***(dist)***
Pembangunan Maha Murni Sdn Bhd v. Jururus Ladang Sdn Bhd [1985] 1 LNS 122 SC ***(refd)***
Philip Morris Products Inc lwn. Glenbid (M) Sdn Bhd & Satu Lagi [2001] 1 LNS 227 HC ***(refd)***
Philip Morris Products SA v. Ong Kien Hoe & Ors [2010] 2 CLJ 106 HC ***(refd)***
Re Ladislas Jellinek (1946) 63 RPC 59 ***(refd)***
Re Pianotist Co Ltd (1906) 23 RPC 774 ***(refd)***
Reckitt & Colman Products Ltd v. Borden Inc & Ors [1990] 1 All ER 873 ***(refd)***
Rookes v. Barnard [1964] 1 All ER 367 ***(refd)***
Saville Perfumery Ltd v. June Perfect Ltd & Anor (1941) 58 RPC 147 ***(refd)***
Seet Chuan Seng & Anor v. Tee Yih Jia Food Manufacturing Pte Ltd [1994] 3 CLJ 7 SC ***(refd)***
Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors [2004] 3 CLJ 815 CA ***(refd)***
Solavoid Trade Mark [1977] RPC 1 ***(refd)***
Sony Corporation v. Olivine Manufacturing Pte Ltd & Another Action [1993] AIPR 186 ***(refd)***
Tenaga Nasional Bhd v. Kamarstone Sdn Bhd [2014] 1 CLJ 207 FC ***(refd)***
Tohtonku Sdn Bhd v. Superace (M) Sdn Bhd [1992] 2 CLJ 1153; [1992] 1 CLJ (Rep) 344 SC ***(refd)***
Yong Sze Fun & Anor v. Syarikat Zamani Hj Tamin Sdn Bhd & Anor [2011] 1 LNS 1307 CA ***(refd)***

Legislation referred to:
Customs Act 1967, ss. 2(1), 45, 131(3)(a), (b)
Evidence Act 1950, ss. 57, 101(1), (2)
Free Zones Act 1990, ss. 2(1), 4
Free Zones Regulations 1991, reg. 2
Rules of Court 2012, O. 15 r. 16, O. 16 r. 8(1)(b), O. 18 r. 19(1)(b), (d), O. 92 r. 4
Specific Relief Act 1950, ss. 41, 53
Trade Marks Act 1976, ss. 3(1), (2)(a), (b), 25(1), 35(1), 38(1)(a), 48(1), 70B(1), 70C, 70D, 70E, 70F, 70G, 70H, 70I, 70J, 70K, 70L, 70M, 70N, 70O, 70P, 82(2)

Other source(s) referred to:
Tay Pek San, *Infringement of Trade Marks under the Trade Marks Act 1976,* (1996) 23 JMCL 79, p 89

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For the 1st defendant - T Gunaseelan, Nora Hayati lsmayatim & Siti Azlina Che Abdul Rahman; M/s Nora Hayati Raj

Reported by Suhainah Wahiduddin

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JUDGMENT

Wong Kian Kheong JC:

Introduction

B **[1]** This case concerns a transhipment of goods owned by the first defendant (first defendant), a business entity in Egypt. The goods were to be shipped in 12 containers from Vietnam to Egypt with transhipment in Malaysia (first at Penang Port and then at Klang Port before onward delivery to Egypt).

C **[2]** When the 12 containers of goods belonging to first defendant were at Klang Port (to be transhipped to Egypt), the Royal Malaysian Customs Department (RMCD) seized 10 out of the 12 containers (ten containers). This seizure was made because it was declared in the customs declaration form that all the 12 containers contained "Omani Marble" (false customs declaration). The ten containers did not contain Omani Marble but D "MALIMBO" brand of cigarettes (MALIMBO cigarettes). A representation of MALIMBO brand is annexed to this judgment as Annexure A.

[3] The plaintiff company (plaintiff) owns 28 MARLBORO trade marks registered in the Malaysian Register of Trade Marks (MARLBORO trade marks) for goods in Class 34 (which includes, among others, cigarettes) E (MARLBORO cigarettes).

Issues

[4] The following questions arise in this case:

F (1) whether first defendant's transhipment of MALIMBO cigarettes:

(a) infringed MARLBORO trade marks under s. 38(1)(a) of the Trade Marks Act 1976 (TMA); and/or

(b) constituted a tort of passing off MALIMBO cigarettes as MARLBORO cigarettes

G - when the MALIMBO cigarettes in the ten containers:

(i) were not sold or offered to be sold in Malaysia;

(ii) were not taken out of the ten containers. In fact, the ten containers did not leave the "free zone" (defined in s. 2(1) of the H Free Zones Act 1990 (FZA)) in Klang Port; and

(iii) no tax or customs duty was imposed by Malaysian authorities on the MALIMBO cigarettes;

I (2) whether first defendant could counterclaim against plaintiff based on:

(a) the allegation that this suit is frivolous, vexatious and/or an abuse of court process; and

(b) plaintiff's undertaking to pay damages when plaintiff obtained an *ex parte* interlocutory injunction (*ex parte* interlocutory injunction) and subsequently an *inter partes* interlocutory injunction (*inter partes* interlocutory injunction), to restrain the first defendant from, among others, taking possession of the contents of the ten containers until the disposal of this suit

(counterclaim);

(3) should compensatory, exemplary and aggravated damages be awarded against first defendant?; and

(4) whether the court can order RMCD to destroy MALIMBO cigarettes in the ten containers at the first defendant's expense.

This Suit

[5] The plaintiff filed this action against five defendants based on infringement of MARLBORO trade marks and tort of passing off in respect of MARLBORO cigarettes.

[6] The first defendant had counterclaimed for, among others, a declaration that the first defendant had not infringed MARLBORO trade marks.

[7] The plaintiff had discontinued this suit against the fourth defendant company. A consent judgment had been entered between the plaintiff and the second, third and fifth defendant companies (second, third and fifth defendants) wherein a perpetual injunction had been granted to restrain the second, third and fifth defendants from dealing with the contents of the ten containers.

Plaintiff's Case

[8] The plaintiff called the following two witnesses to support this suit:

(a) Mr Nicholas Foot (Mr Foot); and

(b) Ms Virawaty.

[9] Mr Foot testified as follows, among others:

(a) Mr Foot is the "Senior Counsel, Trademarks" of Philip Morris Asia Ltd and has been authorised by the plaintiff to give evidence on behalf of the plaintiff in this case;

(b) the plaintiff is an affiliate company of Philip Morris International Inc (Philip Morris), a company listed on the New York Stock Exchange. Philip Morris manufactures and sells cigarettes under, among others, MARLBORO trade marks. The plaintiff:

A (i) is the owner of 28 MARLBORO trade marks in Malaysia; and

(ii) owns MARLBORO trade marks throughout the world (except the United States of America where Philip Morris USA Inc owns MARLBORO trade marks). A list of MARLBORO trade marks registered by the plaintiff in Vietnam and Egypt had been adduced in this case;

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(c) the plaintiff's predecessor had started using MARLBORO trade marks in Malaysia since 1956. MARLBORO marks are universally understood by the relevant trade and public to indicate MARLBORO cigarettes from the plaintiff and no other entity. As a consequence of long and extensive use of MARLBORO trade marks in Malaysia by plaintiff and its predecessor, the plaintiff has acquired substantial and valuable goodwill and reputation in MARLBORO trade marks in this country;

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(d) the plaintiff discovered about MALIMBO cigarettes in the ten containers when RMCD seized the ten containers (RMCD's seizure) pursuant to the false customs declaration. The false customs declaration was not the first case because there were two previous incidents in Egypt as follows:

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(i) in 2012, a container was declared to contain marble but was seized because it was found to contain MALIMBO cigarettes; and

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(ii) in 2013, a container containing MALIMBO cigarettes was seized because it was wrongly declared to contain refrigerators;

(e) on 21 January 2010, the Spanish Patent and Trade Mark Office rejected an application to register MALIMBO mark (Spanish Trade Mark Office decision). The appeal against Spanish Trade Mark Office decision had been dismissed by the Director of the Spanish Patent and Trade Mark Office on 6 April 2010 (Spanish Director's decision). Both the Spanish Trade Mark Office decision and Spanish Director's decision were based on the likelihood of confusion between MALIMBO mark and MARLBORO trade mark registered in Spain;

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(f) on 2 February 2012, the Egyptian Trade Mark Office issued a "trademark pre-filing examination report" which stated that there was a "conflict" between two applications to register MALIMBO mark and MARLBORO trade mark registered in Egypt (Egyptian Trade Mark Office examination report);

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(g) the plaintiff had successfully opposed applications to register MALIMBO mark in Angola and Paraguay based on MARLBORO trade mark (decisions of Angolan and Paraguayan Trade Mark Authorities); and

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(h) the ten containers of MALIMBO cigarettes

(i) damage the plaintiff's business, reputation and goodwill in respect of Marlboro trade marks in Malaysia; and

(ii) dilute and diminish the "brand equity" of MARLBORO trade marks.

[10] Ms Virawaty gave the following evidence, among others, in her witness statement:

(a) Ms Virawaty is the director for "Portfolio Strategy & Development Marlboro & Premium-Asia" and is authorised by the plaintiff to give evidence on behalf of the plaintiff in this suit;

(b) Ms Virawaty has 13 years experience in working with different brands in the tobacco industry, including over three years experience in working on MARLBORO brand. In respect of Ms Virawaty's present position, she is responsible for, among others:

(i) overseeing marketing and brand development of MARLBORO cigarettes in Asia; and

(ii) reviewing portfolio plans, communication and consumer engagement plans for MARLBORO cigarettes in 17 markets;

(c) MARLBORO trade marks include "roof device" and "roof line device" which were first used in red colour and is most commonly recognisable in red. Examples of roof device and roof line device are given in Annexure B to this judgment. The background of MARLBORO trade marks is white in colour and the word "MARLBORO" is in black colour;

(d) MARLBORO marks which incorporate roof device and roof line device were first used on cigarettes in 1885 and in Malaysia in 1956;

(e) MALIMBO mark is identical or so closely resembles MARLBORO trade marks as is likely to deceive or cause confusion in the course of trade in cigarettes because:

(i) MALIMBO mark incorporates MARLBORO's roof device and roof line device;

(ii) MALIMBO mark uses the same colour scheme of red, white and black as used in MARLBORO trade marks;

(iii) "MALIMBO" word is confusingly or deceptively similar to "MARLBORO" word as follows:

- there are visual similarities between "MALIMBO" and "MARLBORO" words regarding the font, styling and colour;

- both "MALIMBO" and "MARLBORO" words start and end with the same syllables, namely "MA" and "O";

A - the letters "LB" in "MARLBORO" word are central to the "MARLBORO" word. This has been imitated by the letters "LI" in "MALIMBO" word; and

- both "MALIMBO" and "MARLBORO" words share the same structure;

B (iv) since 2009, plaintiff has adopted variations of MARLBORO's roof device and roof line device, including a 90 degree clockwise rotation placement of MARLBORO's roof device and roof line device (roof device variations). Examples of roof device variations are provided in Annexure C to this judgment. The relevant trade and public have associated roof device variations with MARLBORO cigarettes. The first defendant had also incorporated roof device variations in MALIMBO mark;

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(v) MALIMBO mark is similar or closely resembles MARLBORO trade marks in terms of get-up, positioning of the word "MALIMBO", arrangement of MALIMBO mark and overall impression conveyed by the packaging of MALIMBO cigarettes; and

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(vi) the less literate consumer or a consumer in a hurry, may not be able to tell the difference at the time of purchase, between MALIMBO cigarettes and MARLBORO cigarettes; and

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(f) cigarettes will expire 12 months after their date of manufacture.

[11] During cross-examination, Ms Virawaty testified as follows, among others:

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(a) Ms Virawaty had not seen MALIMBO cigarettes. Ms Virawaty was not aware whether MALIMBO cigarettes were sold or not in Malaysia and South East Asia (SEA). Ms Virawaty however agreed that the Malaysian public had not seen MALIMBO cigarettes; and

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(b) Ms Virawaty does not know the lifespan of cigarettes in a container. Ms Virawaty however agreed that cigarettes are sensitive to weather, heat and temperature.

[12] Ms Virawaty clarified as follows in her re-examination, among others:

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(a) Ms Virawaty compared MARLBORO cigarettes with pictures of MALIMBO cigarettes;

(b) Ms Virawaty explained that she agreed that the Malaysian public had not seen MALIMBO cigarettes because the plaintiff could not trace whether MALIMBO cigarettes were sold in the rural areas in Malaysia; and

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(c) Ms Virawaty stated in her witness statement that cigarettes would expire 12 months after their date of manufacture because the plaintiff has an internal policy of not selling MARLBORO cigarettes after 12 months from their date of manufacture.

First Defendant's Case

[13] Mr Ra'ed Abdel Khaleq Hussein Yaghmour (Mr Ra'ed), an Egyptian citizen, was the only witness for the first defendant in this case.

[14] According to Mr Ra'ed's witness statement, among others:

(a) Mr Ra'ed is the officer in charge of the first defendant's affairs. The first defendant is in import and export business with a place of business in Cairo, Egypt;

(b) MALIMBO trade mark has been registered in the United Arab Emirates [MALIMBO trade mark (UAE)]. In Lebanon, MALIMBO mark has been registered as a distinctive mark (MALIMBO distinctive mark (Lebanon)). There is a pending application to register MALIMBO trade mark in Egypt;

(c) MALIMBO cigarettes are freely sold in the Middle East and North Africa (including Egypt). This fact is known to plaintiff and the plaintiff is unable to restrain the first defendant and other distributors from selling and distributing MALIMBO cigarettes in the Middle East and North Africa;

(d) the ten containers of MALIMBO cigarettes were to be transhipped from Malaysia to Egypt. The fifth defendant was responsible for affirming the customs declaration and made an erroneous customs declaration regarding contents of the ten containers;

(e) the first defendant paid RM30,000 to RMCD as a compound for the false customs declaration (compound fee). The ten containers were not however released for transhipment to Egypt due to the *ex parte* interlocutory injunction;

(f) the first defendant had never sold MALIMBO cigarettes in Malaysia or any other place in the SEA. The first defendant had also never used MALIMBO mark in Malaysia. As such, there is no likelihood of confusion or deception of the Malaysian public regarding MALIMBO and MARLBORO cigarettes;

(g) MALIMBO mark is distinctive and does not infringe MARLBORO trade marks in Malaysia. There are substantial differences between MALIMBO mark and MARLBORO trade marks; and

(h) the first defendant had not passed off MALIMBO cigarettes as MARLBORO cigarettes.

A **Credibility Of Witnesses**

[15] I find as a fact that Mr Foot and Ms Virawaty are credible witnesses. This is because testimonies of Mr Foot and Ms Virawaty are based on documentary evidence.

B **[16]** It is the finding of this court that Mr Ra'ed is not a witness of truth. This decision is supported by the following evidence and reasons:

(a) no evidence had been adduced by Mr Ra'ed that first defendant had ever imported, distributed and/or sold MALIMBO cigarettes in Egypt. If the first defendant were indeed a genuine importer, distributor and retailer
C of MALIMBO cigarettes in Egypt, the first defendant could have easily adduced documents regarding the first defendant's import, distribution and sales of MALIMBO cigarettes in Egypt;

(b) Mr Ra'ed claimed that first defendant purchased ten containers of MALIMBO cigarettes from the "brand owner" in UAE. Such evidence
D is not credible because:

(i) no document had been adduced regarding the first defendant's purchase of ten containers of MALIMBO cigarettes. Mr Ra'ed could not even confirm the identity of the "brand owner" in UAE; and

E (ii) Mr Ra'ed did know the date of manufacture of MALIMBO cigarettes in the ten containers. A genuine purchaser of cigarettes for resale, should know when the cigarettes are manufactured because cigarettes are perishable goods with a certain lifespan;

(c) Mr Ra'ed testified that first defendant purchased ten containers of
F MALIMBO cigarettes for re-sale in Egypt and yet, he did not know who were the first defendant's customers in Egypt for MALIMBO cigarettes in the ten containers;

(d) during cross-examination, Mr Ra'ed stated that since first defendant is an importer and exporter of goods, the truth and accuracy of a customs
G declaration is of "paramount importance". Yet, first defendant did not adduce in this case the ship manifest and shipping documents regarding the ten containers (shipping documents). In fact, Mr Ra'ed admitted that he had not even seen the shipping documents;

H (e) despite Mr Ra'ed's allegation that fifth defendant had made an erroneous customs declaration regarding contents of the ten containers, there was no demand from first defendant to fifth defendant that the first defendant would hold the fifth defendant responsible for the false customs declaration. Nor did the first defendant claim for a refund of the compound fee from the fifth defendant. The first defendant did not
I institute third-party proceedings against the fifth defendant under O. 16 r. 8(1)(b) of the Rules of Court 2012 (RC) to claim for relief arising from the plaintiff's suit against the first defendant. More importantly, the first

defendant did not call any director, employee or agent from the fifth defendant to testify regarding the false customs declaration. There is also no explanation by the first defendant for such a failure;

(f) during cross-examination, Mr Ra'ed testified that he did not know what had happened to the two containers containing Omani Marble. Such evidence shows that the first defendant was only interested in the ten containers of MALIMBO cigarettes and the other two containers of Omani Marble and false customs declaration were only a ploy to conceal the smuggling of MALIMBO cigarettes into Egypt *via* Malaysia;

(g) the application to register MALIMBO as a trade mark in Egypt had been made by "Global Tobacco FZCO" (Global Tobacco) and not by first defendant. There is no documentary proof to show that first defendant had been authorised by Global Tobacco to use MALIMBO mark in Egypt. In fact, no evidence had been adduced to show the relationship between Global Tobacco and first defendant. During cross-examination, Mr Ra'ed admitted that he:

(i) could not confirm the outcome of Global Tobacco's application to register MALIMBO trade mark in Egypt; and

(ii) did know of Egyptian Trade Mark Office examination report;

(h) MALIMBO trade mark (UAE) is in the name of Salah Mohamed Trading Establishment (Salah Mohamed) and not the first defendant. There is no evidence regarding any relationship between Salah Mohamed and first defendant. According to the Trade Mark Registration Certificate of MALIMBO Trade Mark (UAE), the registration was valid for ten years from 8 April 2003. Mr Ra'ed admitted during cross-examination that:

(i) he did not have any knowledge about MALIMBO trade mark (UAE) except its registration;

(ii) he could not confirm whether the registration of MALIMBO trade mark (UAE) had been renewed after 8 April 2013. There is a possibility that the registration of MALIMBO trade mark (UAE) had not been renewed after 8 April 2013; and

(iii) he did not know why Salah Mohamed had registered MALIMBO trade mark (UAE);

(i) MALIMBO distinctive mark (Lebanon) is in the name of Rassem Abou El-Naja Company as attorney for Global Tobacco (not first defendant). During cross-examination, Mr Ra'ed admitted that he did not know why Global Tobacco had registered MALIMBO distinctive mark (Lebanon);

(j) Mr Ra'ed admitted during cross-examination that he did not have any document to prove that MALIMBO cigarettes are freely sold in the Middle East and North Africa (including Egypt);

(k) during cross-examination, Mr Ra'ed did not have the honesty to confirm:

(i) photographs of the packaging of MALIMBO cigarettes; and

(ii) whether first defendant had applied to register MALIMBO mark in Malaysia, Vietnam and Egypt; and

(l) Mr Ra'ed had relied on "certificate of registration" of first defendant from the relevant Egyptian authorities. The English translation of the documents relied on by Mr Ra'ed concerned a "partnership in commendams" called "Diaa EI-Sayed Ibrahim & Co" (not the first defendant). Mr Ra'ed testified during cross-examination that the original "certificate of registration" of first defendant in Arabic, stated the first defendant's name as "Goodness". I am not able to accept such an explanation as "Goodness" was not the name of the entity stated in the English translation of the "certificate of registration". It is to be noted that this English translation had been provided by the first defendant itself.

Did First Defendant Infringe MARLBORO Trade Marks?

[17] The plaintiff and first defendant had agreed in the "issues to be tried" on, among others, whether 13 MARLBORO trade marks (annexed to this judgment as Annexure D) had been infringed under s. 38(1)(a) TMA by the first defendant's transhipment of ten containers of MALIMBO cigarettes.

First Defendant's Submission

[18] The first defendant had contended that the 13 MARLBORO trade marks (Annexure D) had not been infringed by transhipment of ten containers of MALIMBO cigarettes in Klang Port because:

(a) the transhipment of ten containers of MALIMBO cigarettes in Malaysia was not made "in the course of trade" as the MALIMBO cigarettes were not:

(i) imported (within the meaning of s. 70C TMA) into Malaysia; and

(ii) sold in Malaysia.

Reliance was placed on the following statutory provisions and cases:

- the definition of "goods in transit" in s. 70C TMA;
- the meaning of "in transit" in s. 2(1) of the Customs Act 1967 (CA);
- the definition of "transhipment" in reg. 2 of the Free Zones Regulations 1991 (FZR); and
- Thomson CJ's (as he then was) judgment in the High Court case of *Ng Kim Huat v. Public Prosecutor* [1961] 1 LNS 73; [1961] 27 MLJ 308;

(b) the first defendant relied on the decision of the European Court of Justice (ECJ) in *Montex Holdings v. Diesel* [2006] ECR I 1-10881 which has decided, among others, that a proprietor of a registered trade mark in a Member State of the European Union (EU) can only prohibit transit of goods in that EU Member State (Transit EU Member State) if those goods are subject to an act of a third party which necessarily entails those goods being put on the market of Transit EU Member State;

(c) the first defendant cited Kitchin J's (as he then was) judgment in the English High Court case of *Nokia Corporation v. Her Majesty's Commissioners of Revenue & Customs* [2010] FSR 5. *Nokia Corporation* followed the English Court of Appeal case of *Eli Lilly v. 8PM Chemists Ltd* [2008] FSR 12 and English High Court case of *L'Oreal SA v. eBay International AG* [2009] EWHC Civ 1094. It was decided in *Nokia Corporation*, at paras. 49-52, as follows:

> 49 **I derive the following principles from all these cases. First, infringement of registered trade mark requires goods to be placed on the market and that goods in transit and subject to suspensive customs procedures do not, without more, satisfy this requirement**. This principle has been applied in domestic law by the Court of Appeal in *Eli Lilly and Co v. 8PM Chemists Ltd* [2008] EWCA Civ 24; [2008] FSR 12; and it was recognised more recently by this court in *L'Oreal v. eBay International AG* [2009] EWHC 1094 (Ch); [2009] R.P.C. 21 .
>
> 50 **Secondly, the position is different if the goods in the transit procedure are subject to the act of a third party which necessarily entails their being put on the market (the Montex exception)**. But the burden of establishing this rests on the trade mark proprietor.
>
> 51 *Thirdly, a mere risk that the goods may be diverted is not sufficient to justify a conclusion that the goods have been or will be put on the market*.
>
> 52 Fourthly, the Counterfeit Goods Regulation has not introduced a new criterion for the purposes of ascertaining the existence of an infringement of a registered trade mark or to determine whether there is a use of the mark which is liable to be prohibited.
>
> (emphasis added);

(d) any action for infringement of MARLBORO trade marks in Egypt should have been commenced in Egypt and not in Malaysia; and

(e) the plaintiff cannot rely on s. 70B(1) TMA to support this suit.

Elements Of Trade Mark Infringement Under s. 38(1)(a) TMA.

[19] The following provisions in TMA are relevant:

> Interpretation
>
> s. 3(1) **"trade mark" means, except in relation to Part XI, a mark used or proposed to be used in relation to goods or services for the purpose of indicating or so as to indicate a connection in the course of trade**

between the goods or services and a person having the right either as proprietor or as registered user to use the mark whether with or without an indication of the identity of that person, and means, in relation to Part XI, a mark registrable or registered under the said Part XI;

s. 3(2) In this Act:

(a) *references to the use of a mark shall be construed as references to the use of a printed or other visual representation of the mark;*

(b) *references to the use of a mark in relation to goods shall be construed as references to the use thereof upon, or in physical or other relation to, goods*;

...

s. 35 *Rights given by registration*

(1) **Subject to the provisions of this Act, the registration of a person as registered proprietor of a trade mark (other than a certification trade mark) in respect of any goods or services shall, if valid, give or be deemed to have been given to that person the exclusive right to the use of the trade mark in relation to those goods** or services subject to any conditions, amendments, modifications or limitations entered in the Register.

Infringement of a trade mark

s. 38(1) **A registered trade mark is infringed by a person who, not being the registered proprietor of the trade mark or registered user of the trade mark using by way of permitted use, uses a mark which is identical with it or so nearly resembling it as is likely to deceive or cause confusion in the course of trade in relation to goods or services in respect of which the trade mark is registered in such a manner as to render the use of the mark likely to be taken either:**

(a) as being used as a trade mark;

(emphasis added).

[20] In *Tohtonku Sdn Bhd v. Superace (M) Sdn Bhd* [1992] 2 CLJ 1153; [1992] 1 CLJ (Rep) 344, at 346, Mohd Yusoff Mohamad SCJ decided as follows in the Supreme Court:

Under s. 38 of the Trade Marks Act, a registered trade mark is infringed by a person who uses a mark which:

(a) *is identical with it; or*

(b) *so nearly resembling it as is likely to deceive; or*

(c) *so nearly resembling it as is likely to cause confusion.*

(emphasis added).

[21] In the High Court case of *Leo Pharmaceutical Products Ltd AS (Lovens Kemiske Fabrik Produktionsaktieselskab) v. Kotra Pharma (M) Sdn Bhd (No 2)* [2012] 10 CLJ 507, at paras. 83 and 84, Low Hop Bing J (as he then was) explained the five elements of trade mark infringement under s. 38(1)(a) TMA (trade mark infringement) as follows:

[83] *The law regulating the infringement of a trade mark is enacted in s. 38(1)* which reads:

[84] *In order to succeed in this cause of action, it is incumbent upon the plaintiff to prove that*:

(a) *the defendant is neither the registered proprietor nor the registered user of the trade mark;*

(b) *the defendant used a mark identical with or so nearly resembling the plaintiff's registered trade mark as is likely to deceive or cause confusion;*

(c) *the defendant was using the offending mark in the course of trade;*

(d) *the defendant was using the offending mark in relation to goods or service within the scope of the registration; and*

(e) *the defendant used the offending mark in such a manner as to render the use likely to be taken either as being used as a trade mark or as importing a reference to the registered proprietor or the registered user or to their goods or services.*

(See *Fabrique Ebel Societe Anonyme v. Sykt Perniagaan Tukang Jam City Port & Ors* [1989] 1 CLJ 919; [1989] 1 CLJ (Rep) 537, 540 & 541 per Zakaria Yatim J (later FCJ) and applied by the same judge in *A Clouet & Co Pte Ltd v. Maya Toba Sdn Bhd* [1996] 1 BLJ 239).

(emphasis added).

[22] It is not disputed the plaintiff has legal burden under s. 101(1) and (2) of the Evidence Act 1950 (EA) to prove on a balance of probabilities that the first defendant's transhipment of ten containers of MALIMBO cigarettes had infringed 13 MARLBORO trade marks.

Fulfilment Of The First Element Of Trade Mark Infringement

[23] In this case, it is clear that the first defendant is neither the registered proprietor nor the registered user (within the meaning of s. 48(1) TMA) of 13 MARLBORO's trade marks. As such the first element of trade mark infringement is fulfilled in this case.

Whether First Defendant Had "used" MALIMBO Mark In Malaysia

[24] *Doretti Resources Sdn Bhd v. Fitters Marketing Sdn Bhd & Ors And Another Case* [2017] 1 LNS 738, is a case which concerns, among others, the issue of who is the first user of a mark in the course of trade who is entitled to apply to the Registrar of Trade Marks to register the mark under s. 25(1) TMA. In *Doretti Resources*, at para. 38, I have decided as follows:

38. For the purpose of deciding who is the 1st User of a mark, I am of the view that the court may consider the following 4 ways in which a mark may be used in the course of trade:

(1) the mark is represented in print or visual form [in s 3(2)(a) TMA]. The following cases are relevant:

(a) in the High Court case of *Acushnet Company v. Metro Golf Manufacturing Sdn Bhd* [2006] 7 CLJ 557, at paragraphs 78 and 79, Ramly Ali J (as he then was) held that an invoice bearing a mark may be considered as use of the mark in the course of trade; and

(b) in *Ooi Siew Bee & Ors v. Zhu Ge Kong Ming Sdn Bhd & Anor* [2017] 2 AMR 161, at sub-paragraph 64(7)(b), I have decided as follows:

> 64(7)(b) ... If this Court gives credence to invoices which do not specifically refer to any trade mark, this will give rise to spurious claims of 1st User of trade marks based on invoices which may be issued for any goods (other than for the goods for which the trade marks are claimed).
>
> (emphasis added);

(2) the mark is used "upon" goods [s 3(2)(b) TMA];

(3) the mark is used "in physical" relation to goods [s 3(2)(b) TMA]; and

(4) the mark is used in "other relation to" goods [s 3(2)(b) TMA].

The following appellate cases have held that the mark should be used within Malaysian territory:

(a) the judgment of Zulkefli Makinudin CJ (Malaya) in the Federal Court case of *Yong Teng Hing B/S Hong Kong Trading Co & Anor v. Walton International Ltd* [2012] 6 CLJ 337, at paragraph 14;

(b) *Mesuma Sports*, at paragraphs 40 and 41;

(c) the Court of Appeal's decision delivered by Mahadev Shankar JCA in *Lim Yew Sing v. Hummel International Sports & Leisure A/S* [1996] 3 MLJ 7, at 12-13; and

(d) Richard Malanjum JCA's (as he then was) judgment in the Court of Appeal case of *Meidi (M) Sdn Bhd v. Meidi-Ya Co Ltd, Japan & Anor* [2008] 6 MLJ 433, at paragraph 42.

[25] Firstly, I am of the following view:

(a) the word "use" in ss. 35(1) and 38(1) TMA should be interpreted by reference to s. 3(2)(a) and (b) TMA (as in *Doretti Resources*). This is because unless the context of a provision in TMA otherwise requires, the meaning of the word "use" in s. 3(2)(a) and (b) TMA "shall" apply to the word "use" in all provisions in the TMA (including ss. 35(1) and 38(1) TMA);

(b) the definitions of "goods in transit" and "import" in s. 70C TMA apply only to part IVA TMA (ss. 70C-70P TMA) regarding "border measures". This is clear from the opening words "In this part" in s. 70C TMA. Hence, the word "use" in ss. 35(1) and 38(1) TMA cannot be interpreted based on the meaning of "goods in transit" and "import" in s. 70C TMA; and

(c) I cannot apply the following definitions in other statutes to construe the word "use" in ss. 35(1) and 38(1) TMA:

(i) the meaning of "in transit" in s. 2(1) CA; and

(ii) the definition of "transhipment" in reg. 2 FZR.

This is because the above definitions apply to the written law in question (not TMA).

[26] Secondly, the MALIMBO mark is represented in print or visual form in MALIMBO cigarettes in the ten containers as understood in s. 3(2)(a) TMA.

[27] Thirdly, the MALIMBO mark is used "upon" MALIMBO cigarettes in the ten containers within the meaning of s. 3(2)(b) TMA.

[28] Fourthly, the use of MALIMBO mark "upon" MALIMBO cigarettes in the ten containers is in Malaysian territory although MALIMBO cigarettes have not been taken out of the ten containers and the ten containers did not leave the free zone in Klang Port. In this regard, I must clarify the effect of a free zone under s. 4 FZA. Section 4 FZA provides that subject to FZA and specific prohibition by law, goods and services "may be brought into, produced, manufactured or provided in a free zone without payment of any customs duty, excise duty, sales tax or service tax". The fact that goods are kept in a free zone does not:

(a) mean that the ten containers are not physically in Malaysian territory; and

(b) oust the application of, among others, s. 38(1)(a) TMA and the tort of passing off.

I refer to the following High Court decisions:

(i) Mary Lim JC (as she then was) decided as follows in *Philip Morris Products SA v. Ong Kien Hoe & Ors* [2010] 2 CLJ 106, at paras. 27 and 28:

> Free Zone
>
> [27] A related issue raised by the 2nd defendant concerns the jurisdiction where the cigarettes were seized. *The contention of the 2nd defendant is that the counterfeit cigarettes were seized within the Free Zone. The submission here is that the Free Zone is deemed to be a place outside Malaysia. According to s. 1A of the Customs Act 1967 and ss. 2 and 50 and item 5 in Schedule 10 of the Free Zones Act 1990 (Act 438), a Free Zone is a place outside Malaysia. That being so, not only is there no levy within this zone, the laws in Malaysia including the Trade Marks Act 1967 do not apply. Learned counsel for the 2nd defendant submitted that 'goods in transit' are also exempted from seizure.*

A [28] *Having read the relevant provisions of the law, I respectfully disagree with learned counsel for the 2nd defendant. The purpose for the establishment of Free Zones is clearly set out in the long title to the Free Zones Act - "... for promoting the economic life of the country and for related purposes". As part of the efforts towards promoting economic life, s. 4 of the Act provides that except for those specifically and absolutely prohibited by law, goods or* B *services of any description may be brought into, produced, manufactured or provided in a Free Zone without payment of any customs duty, excise duty, sales tax or service tax. Where the goods fulfilled the conditions set under the Act, the goods are exempted from these payments. But that does not mean that the Free Zone is a free for all area, free of all laws or, that there is lawlessness in this zone. The enforcement agencies continue to hold* C *jurisdiction over and in these Free Zones. This is evident from ss. 18, 21, 23, 24 and 26 of Act 438 and the provisions of Parts XI and XII of Act 235. In any event the issue of the validity of the seizure is immaterial and irrelevant to the success or otherwise of the plaintiff's claim. The plaintiff's rights in the registered trade mark are rights in rem.*

D (emphasis added); and

(ii) in *Philip Morris Products INC lwn. Glenbid (M) Sdn Bhd & Satu Lagi* [2001] 1 LNS 227, at pp. 9-10, Wan Adnan Muhamad J (as he then was) held as follows:

E Sebelum saya memperkatakan secara lebih lanjut mengenai sama ada injunksi interlokutori harus diberi berdasarkan keterangan dari afidavit-afidavit dari kedua-dua pihak, *terlebih dahulu saya ingin menyentuh persoalan yang diutarakan oleh peguam Defendan bahawa mahkamah ini tidak mempunyai bidang kuasa untuk membicarakan tindakan yang dibawa Plaintif kerana rokok-rokok "MARLBORO" berada* F *di dalam zon perdagangan bebas Pelabuhan Klang yang bukan dalam kawasan negara Malaysia. OIeh itu adalah menjadi hujahan peguam Defendan bahawa rokok-rokok tersebut terletak di luar kawasan Malaysia. Justeru itu Plaintif tidak mempunyai kausa tindakan. …*

Sehubungan dengan itu, saya tidak dapat menerima hujahan bahawa G *kawasan zon bebas adalah di luar kawasan negara Malaysia. Pertamanya, tidak ada perisytiharan yang menyatakan sedemikian. Jika benar boleh dikatakan sedemikian, maka bukan sahaja mahkamah ini tidak mempunyai bidang kuasa malahan Kerajaan Malaysia pun tidak mempunyai apa-apa kuasa dalam kawasan berkenaan. Persoalannya siapa yang mempunyai bidang kuasa ke atas zon bebas dan di mana* H *terletak kedaulatannya. Kalaulah mahkamah ini menerima hujahan peguam Defendan itu, ia bermakna zon bebas menjadi satu kawasan yang benar-benar bebas kerana is bukan dalam sebuah negara ataupun wilayah mana-mana negara. Keduanya, hujahan sebegini tidak dapat diterima akal kerana peguam Defendan cuba mengatakan bahawa mahkamah ini tidak mempunyai bidang kuasa di dalam membicarakan kes-kes yang* I *berlaku di dalam zon bebas sedangkan kalau kita lihat agensi-agensi kerajaan yang lain seperti Jabatan Kastam, mempunyai kuasa dan boleh melaksanakan tugas-tugas mereka di bawah peruntukan undang-undang yang sedia ada.*

(emphasis added).

Whether MALIMBO Mark So Nearly Resembles 13 MARLBORO Trade Marks As Is Likely To Deceive Or Confuse

[29] As to how the court should decide whether a mark so nearly resembles another mark so as is likely to deceive or confuse, I refer to the following cases:

(a) in the Court of Appeal case of *Sinma Medical Products (M) Sdn Bhd v. Yomeishu Seizo Co Ltd & Ors* [2004] 3 CLJ 815; [2004] 4 MLJ 358, at para. 23, Nik Hashim JCA (as he then was) followed the English Court of Appeal's judgment in *Saville Perfumery Ltd v. June Perfect Ltd & Anor* (1941) 58 RPC 147:

> 23 *Sir Wilfrid Green MR in Saville Perfumery Ltd v. June Perfect Ltd and FW Woolworth & Co Ltd (1941) 58 RPC 147 at pp. 161 and 162 explained the law relating to infringement of trade marks and its differences and similarities with passing off.*
>
> *The statute law relating to infringement of trade marks is based on the same fundamental idea as the law relating to passing-off. But it differs from that law in two particulars, namely (1), it is concerned only with one method of passing off, namely, the use of trade mark and (2), the statutory protection is absolute in the sense that once a mark is shown to offend, the user of it cannot escape by showing that by something outside the actual mark itself he has distinguished his goods from those of the registered proprietor. Accordingly, in considering the question of infringement the courts have held and it is now expressly provided by the Trade Marks, 1938, Section 4, that infringement takes place not merely by exact imitation, but by the use of a mark so nearly resembling the registered mark as to be likely to deceive. The questions therefore arise: First, is there a resemblance so close as to be likely to cause deception? In answering these questions, ocular comparison is, of course, an important matter to be taken into consideration, in some cases it may be conclusive one way or the other. But if the Court were to confine itself to this test the protection afforded by the law of trade marks would in many cases prove illusory. It would be still more illusory if, as Mr Lloyd Jacob contended, no witness could be listened to who was not prepared to say that when he saw the mark complained of he had in his mind the actual registered mark and made a comparison between the two. Propositions of this kind, if accepted, would, as it appears to me, divorce the law of trade marks from business realities. In the case of certain goods, traders, and perhaps the public too, may be expected to receive so strong an impression of the actual mark as to lead to the conclusion that nothing short of a degree of resemblance apparent to the eye will cause the necessary likelihood of deception. On the other hand, many articles do not fall within this category. In the present case, for example, the evidence makes it clear that traders who have to deal with a very large number of marks used in the trade in which they are interested, do not, in practice, and indeed cannot be expected to, carry in their heads the details of any particular mark, while the class of customer among the public which buys the goods does not interest itself in such details. In such cases the marks come to be remembered by some feature in it which strikes the eye and fixes itself in the recollection. Such a feature is referred to*

A

> *sometimes as the distinguishing feature, sometimes as the essential feature, of the mark*. I do not pause to examine these appellations, since the idea conveyed is free from ambiguity. **In deciding whether or not a feature is of this class, not only ocular examination, but the evidence of what happens in practice in the particular trade is admissible** ...

B

> **Now the question of resemblance and the likelihood of deception are to be considered by reference not only to the whole marks, but also to its distinguishing or essential features, if any**. (emphasis added.)

(emphasis added);

C (b) it was held in *Leo Pharmaceutical Products*, at paras. 98, 100 and 102, as follows:

> [98] In my view, the plaintiff in a trade mark infringement case is only required to show a likelihood of confusion as opposed to actual confusion ...

D

> [100] In considering the likelihood of confusion, the following factors are relevant:
>
> (a) the idea of the mark;
>
> (b) the elements of the mark;

E

> (c) imperfect recollection of the mark by customers or purchasers;
>
> (d) the aural as well as the visual aspect of a customer towards the mark; and
>
> (e) all the circumstances of the trade.

F

> [102] **The likelihood of confusion is not necessarily confined to a situation where a customer is confused into buying one thing in mistake for another. It also extends to a situation where a customer merely identifies or confuses the product of producer A with that of producer *B: Sandow's Ltd's Application*** [1914] 31 RPC 196, cited with approval in ***Re Lovens Kemiske Fabrik Ved A Konsted's Application for Registration of Trade Mark "Leocillin"*** [1953] 1 LNS 84; [1953] 19 MLJ 215 at 219.

G

(emphasis added); and

(c) Azahar Mohamed J (as he then was) decided as follows in the High Court case of *Danone Biscuits Manufacturing (M) Sdn Bhd (formerly known as Britania Brands (M) Sdn Bhd) v. Hwa Tai Industries Bhd* [2010] 4 CLJ 711; [2010] 8 MLJ 500, at para. 16:

H

> [16] *It is important to take note that the operative word pertaining to infringement in s. 38 [TMA], is 'likely to deceive or cause confusion'. 'Likely' denotes that what is required to be established is only probability or possibility of confusion. In addressing this issue, it is necessary to take into account the meaning conveyed by the words or the ideas suggested by them, as was held*

I

in Harry Reynolds v. Laffeaty's Ltd, Dodwell & Coy Ltd, And S Guiterman & Coy Ltd [1958] RPC 387 where the court held that there was a sufficient resemblance in appearance, sound and idea between 'Aquamatic' and 'Watermatic' to render the latter an infringement of the registered mark 'Aquamatic'.

(emphasis added).

[30] In accordance with *Saville Perfumery*, I have to ascertain whether the 13 MARLBORO trade marks (Annexure D) have any "distinguishing" or "essential" feature which can be remembered by traders and consumers of cigarettes which "strikes the eye and fixes itself in the recollection". I accept Ms Virawaty's evidence that the 13 MARLBORO trade marks have the following distinguishing or essential features:

(a) Roof devices and roof line devices (Annexure B); and

(b) Roof device variations (Annexure C).

[31] I find as a fact that there a close resemblance between the 13 MARLBORO trade marks and MALIMBO mark as is likely to deceive or confuse the relevant trade and public. This finding is based on the following reasons:

(a) a visual comparison between the 13 MARLBORO trade marks and MALIMBO mark shows:

(i) MALIMBO mark has incorporated the distinguishing or essential features of the 13 MARLBORO trade marks, namely roof devices, roof line devices and roof device variations;

(ii) MALIMBO mark uses the same red, white and black colours as used in the 13 MARLBORO trade marks;

(iii) both "MALIMBO" and "MARLBORO" words share the same structure and the same syllables "MA" and "O";

(iv) there are similarities between "MALIMBO" and "MARLBORO" words regarding the style, type and size of font; and

(v) MALIMBO mark has similar get-up, positioning of the word "MALIMBO", arrangement of MALIMBO mark and overall impression as the 13 MARLBORO trade marks.

The above close resemblance is depicted in annexure E to this judgment;

(b) the pronunciation of "MALIMBO" and "MARLBORO" words sound alike because both words start and end with the same syllables, namely "MA" and "O";

(c) there exists a similarity of description between MALIMBO cigarettes and MARLBORO cigarettes - please see Romer J's (as he then was) judgment in the English High Court case of *Re Ladislas Jellinek* (1946) 63 RPC 59, at 70;

(d) in *Tohtonku*, at p. 347, the Supreme Court applied Parker J's (as he then was) decision in the English High Court case of *Re Pianotist Co Ltd* (1906) 23 RPC 774 and considered the nature of the consumers of the goods in question. The consumers of MALIMBO cigarettes and MARLBORO cigarettes are the same;

(e) as decided in *Re Ladislas Jellinek*, at p. 70, the distributors, dealers and retailers (traders) of MALIMBO cigarettes and MARLBORO cigarettes are the same;

(f) there is a similarity of ideas or concept between the 13 MARLBORO trade marks and MALIMBO mark - please see the Privy Council's judgment delivered by Lord Fraser in an appeal from New Zealand, *Solavoid Trade Mark* [1977] RPC 1, at 30; and

(g) applying the "general recollection test" as explained by Thomson LP in the Federal Court case of *MI & M Corporation & Anor v. A Mohamed Ibrahim* [1964] 1 LNS 105; [1964] 1 MLJ 392, at 394, I find that a reasonable consumer and a reasonable trader with an average memory and an imperfect recollection, is likely to be deceived and/or confused between MALIMBO cigarettes and MARLBORO cigarettes.

[32] The above finding is fortified by the following decisions from foreign trade mark authorities:

(a) the Spanish Trade Mark Office decision and the Spanish Director's decision;

(b) the Egyptian Trade Mark Office examination report; and

(c) the decisions of Angolan and Paraguayan Trade Mark Authorities (decisions of foreign trade mark authorities).

In *GS Yuasa Corporation v. GBI Marketing Malaysia Sdn Bhd* [2016] 1 LNS 978; [2017] 8 MLJ 166, at para. 40, I have explained why Malaysian courts should consider decisions from foreign courts regarding the same trade marks:

> K. Effect of Indonesian Supreme Court's Decision
>
> 40. It is undeniable that Intellectual Property rights (IP Rights) in respect of a particular product may be protected and enforced in many jurisdictions. The Court should not take a blinkered view regarding the protection and enforcement of IP Rights. If a foreign court, especially its apex court, has decided on an issue regarding IP Rights of a particular product and an identical or similar issue also arises regarding the same product in a Malaysian case, the Malaysian Court should consider the foreign judgment in deciding that issue. Needless to say, Malaysian Courts are not bound in any manner by any decision from a different jurisdiction. If a Malaysian Court however reaches a decision which is identical or similar to that decided by a foreign court regarding IP Rights

of the same product, this will ensure consistency and predictability in the protection and enforcement of IP Rights of that product in different jurisdictions.

The above decision in *GS Yuasa Corporation* has been affirmed by the Court of Appeal. Based on *GS Yuasa Corporation*, I do not see any reason in principle and policy why Malaysian courts cannot take into account decisions of foreign trade mark authorities which concern the same trade marks.

Whether First Defendant Had Used MALIMBO Mark "In The Course Of Trade"

[33] TMA does not define the phrase "in the course of trade" in relation to goods. Section 3(1) TMA only defines "in the course of trade" in relation to the provision of services.

[34] The following trade mark cases have explained the meaning of the phrase "in the course of trade" in relation to goods:

(a) in *Mesuma Sports Sdn Bhd v. Majlis Sukan Negara, Malaysia; Pendaftaran Cap Dagangan, Malaysia (Intervener)* [2014] 1 LNS 1055; [2015] 2 MLJ 176, at para. 33, Mah Weng Kwai JCA held in the Court of Appeal as follows:

> [33] *A further word on the 'use in the course of trade' argument. We are of the view that the respondent need not be a 'commercial entity' before it can be said that the respondent had used the design 'in the course of trade. The respondent need not be a commercial entity to manufacture and sell sporting goods bearing the design before it can be said that it was using the design in the course of trade. The respondent by using the design owns the goodwill generated thereby in relation to the mark. The respondent in using the design for purposes of branding can be deemed to be using the mark in the course of trade.*
>
> (emphasis added).

It is clear from the above decision that the use of a mark for the purpose of branding, constitutes the use of the mark "in the course of trade" even though there is no manufacture or sale of goods;

(b) the Court of Appeal's decision in *Mesuma Sports* has been affirmed by the Federal Court. In the Federal Court in *Mesuma Sports Sdn Bhd v. Majlis Sukan Negara Malaysia; Pendaftar Cap Dagangan Malaysia (Interested Party)* [2015] 9 CLJ 125; [2015] 6 MLJ 465, at paras. 52, 53 and 66, Azahar Mohamed FCJ decided as follows:

> [52] *The operative words are 'in the course of the trade'; the mark must be used in the course of trade to indicate that the goods bearing the same mark originate from the same source. These are undeniably very wide-ranging words. The term 'trade' is very wide. The word 'trade' used in the provision is not defined. In constructing and interpreting the meaning of a word used in the Act, the ordinary meaning of the work must be applied unless there is a clear ambiguity (see Dupont Steels Ltd v. Sirs [1980] 1 WLR 142).*

A *We do not see anything ambiguous in the provision. The word in question therefore should be given its plain and ordinary meaning (see Chin Choy & Ors v. Collector of Stamp Duties [1979] 1 MLJ 69 and Calamas Sdn Bhd v. Pentadbir Tanah Batang Padang [2011] 5 CLJ 125). Its scope of meaning and application can be seen by referring to the Concise Oxford Dictionary, (9th Ed): Trade, is defined as, among others, business conducted*
B *for profit, business of a specified nature, a transaction with a person for a thing. In Aristoc Ltd v. Rysta Ltd (1944) 62 RPC 65, Lord MacMillan in the course of his judgment said 'trade' is no doubt a wide word but its meaning must vary with and be controlled by its context.*

[53] In asserting its position that the plaintiff was not first in time to use
C *the tiger stripes design as a trademark in the course of trade, the main thrust of the arguments of defendant's learned counsel was grounded on the basis that the plaintiff was not a profit making organisation; hence the plaintiff was not an entity connected in the course of trade.* ... He relied on the provisions of s. 3 [TMA] to support the argument that the mark must be used in the course of trade to connect the goods with that
D mark. He contended that the use in 'a trademark sense' can only be achieved through the manufacturing and sale of goods with the tiger stripes design embodied and goodwill can only be achieved through business activities such as 'manufacturing, supplying and selling' the sports attire it had produced.

E [66] *The plain and natural interpretation of the phrase 'in the course of trade' does not bear out the proposition advanced by learned counsel for the defendant that the use in 'a trademark sense' can only be achieved through the manufacturing and sale of sports attire with the tiger stripes design embodied and goodwill can only be achieved through such business activities. We are quite unable to agree with his contention. From a perusal of the*
F *provisions of s. 3 [TMA], we can find not a word in it to support the restrictive interpretation of learned counsel. An implication of learned counsel's contention, as pointed out by the Court of Appeal in the present case, and we respectfully agree, would mean disregarding other forms of use in the course of trade such as obtaining sponsorships, granting merchandising rights and other licensing rights over the use of the tiger stripes design. With*
G *respect, we would be wrong if we were to hold so.*

(emphasis added).

Our apex court in *Mesuma Sports* has given a very wide meaning of the phrase "in the course of trade" to include, among others, "business conducted for
H profit, business of a specified nature, a transaction with a person for a thing"; and

(c) the Federal Court in *Mesuma Sports* has referred to Lord MacMillan's judgment in the House of Lords case of *Aristoc Ltd v. Rysta Ltd & Anor* [1945] 1 All ER 34. In *Aristoc*, at p. 45, Lord MacMillan decided as
I follows:

A trade mark must still be registered in respect of goods, it must be used in relation to goods, it must indicate a connection in the course of trade between goods and the user of the trade mark. A trade mark must thus be used in

trade. "Trade" is no doubt a wide word, but its meaning must vary with and be controlled by its context. A connection with goods in the course of trade, in my opinion, means in the definition an association with the goods in the course of their production and preparation for the market. After goods have reached the consumer they are no longer in the course of trade. The trading in them has reached its objective and its conclusion in their acquisition by the consumer.

(emphasis added).

[35] The wide meaning of the phrase "in the course of trade" as stated by Lord MacMillan in *Aristoc*, has been followed in a trade mark infringement case by KS Rajah JC in the Singapore High Court in *Sony Corporation v. Olivine Manufacturing Pte Ltd & Another Action* [1993] AIPR 186. KS Rajah JC decided in *Sony Corporation*, at pp. 190 and 192, as follows:

For the purposes of infringement, dealing with the goods up to the time of the ultimate sale or delivery to consumers, render the use of the mark as being the use of the trade mark ... See also Aristoc Ltd v. Rysta Ltd ...

... It is not necessary for the plaintiffs to show that the defendants sold the goods as the term 'in the course of trade' covers the use of the mark in the production and preparation of the goods for the market. The substantial quantity of goods found in the premises clearly establishes that the defendants had the goods for purposes of trade ...

(emphasis added).

[36] Associate Professor Tay Pek San, has opined in "*Infringement of Trade Marks under the Trade Marks Act 1976*" (1996) 23 JMCL 79, at 89, as follows:

(iii) **The use was in the course of trade**

To constitute infringement, the mark must also be used 'in the course of trade' and not in a domestic, social or other non-trading manner. The phrase 'in the course of trade' in relation to the provision of services means, according to section 3(1) [TMA], 'in the course of business'. There is no corresponding definition in relation to goods. However, **it appears that the phrase is wide enough to cover steps necessary for the production of goods up to the time of their ultimate sale or delivery to the customers. There is no requirement that there be an actual sale** ...

(emphasis added).

[37] I accept the above cases and the opinion of Associate Professor Tay regarding the meaning of the phrase "in the course of trade" in s. 38(1) TMA. There is use of a mark on goods "in the course of trade" under s. 38(1)(a) TMA when:

(a) the mark is used on goods in respect of a:

(i) business conducted for profit;

(ii) business of a specified nature; or

(iii) transaction with a person for a thing

(please see the Federal Court's judgment in *Mesuma Sports*); and

(b) the mark is used on goods before the ultimate delivery or sale of goods to the customer - please see Lord MacMillan's judgment in *Aristoc*, *Sony Corporation* and Associate Professor Tay's opinion.

The phrase "in the course of trade" in s. 38(1) TMA is not confined to:

(i) manufacture of goods in Malaysia;

(ii) import of goods into Malaysia;

(iii) offer to sell goods in Malaysia;

(iv) sale of goods in Malaysia; or

(v) marketing, promotion or advertisement of goods in Malaysia.

[38] Based on the above cases and academic opinion, transhipment of ten containers of MALIMBO cigarettes in Malaysia constituted a use of MALIMBO mark on cigarettes "in the course of trade" within the meaning of s. 38(1) TMA because:

(a) the transhipment was a:

(i) business conducted for profit;

(ii) business of a specified nature; and/or

(iii) transaction with a person for a thing;

(b) the MALIMBO mark was used on cigarettes before the ultimate delivery or sale of MALIMBO cigarettes to the first defendant's customers in Egypt; and

(c) the substantial quantity of MALIMBO cigarettes in the ten containers clearly showed that the first defendant had intended to use MALIMBO mark for the purpose of trade.

[39] The above decision is supported by Ahmad Maarop FCJ's (as he then was) judgment in the Federal Court in earlier proceedings between the plaintiff and first defendant in this case, *Goodness For Import and Export v. Philip Morris Brands SARL* [2016] 7 CLJ 303; [2016] 5 MLJ 171, at paras. 52 and 53:

> *[52] In the present case, the MALIMBO cigarettes were brought into Malaysia by sea. But then, goods in transit shall not be deemed to be imported unless the goods become uncustomed goods. How do goods become uncustomed goods under the Customs Act 1967? Under s. 2 [CA] 'uncustomed goods' means goods in respect of which a breach of the provision of this Act or of any subsidiary legislation made thereunder has been committed. In the present case, the first defendant had paid a compound offered by the RMC for an offence of making false customs declaration under s. 133(1)(a) [CA], in respect of the MALIMBO cigarettes. If that is accepted as a breach of the provisions of the Customs Act 1967, then applying the definition*

of 'uncustomed goods' under s. 2 [CA] the MALIMBO cigarettes had become uncustomed goods, and consequently therefore, they were no longer goods bona fide in transit, but were imported goods. Further and/or in the alternative, the goods may be deemed to be uncustomed goods under s. 45 [CA] which provides:

> *If goods, other than bona fide ship's stores, are found by a proper officer of customs in any vessel in territorial waters and such goods are not correctly accounted for in the manifest or other documents which ought to be aboard such vessel, then such goods shall be deemed to be uncustomed goods and shall be liable to seizure.*

[53] In the present case, if it is proven that the false custom declaration involved the goods not having been being correctly accounted for in the ship's manifest or other documents which ought to be aboard the vessel, then the goods shall be deemed to be uncustomed goods, in which case under s. 2 of the Act, the goods were imported goods. In other words, if either of the positions as aforesaid is established, then the MALIMBO cigarettes were not in transit, but were imported goods, in which case it would support the plaintiff's case of infringement of its trademark. We must however hasten to add that the questions whether the MALIMBO cigarettes were actually imported and not in transit, whether if the cigarettes had been imported (or even if they were indeed in transit) the first defendant had, without authority, used the MALIMBO mark in the course of trade, and whether the first defendant had used a mark which was identical with and/or nearly resemble the MARLBORO marks as was likely to deceive and/or cause confusion in the course of trade in relation to cigarettes, and whether the first defendant had infringed the plaintiff's MARLBORO mark are questions which are not suitable to be, and indeed need not be decided at the stage of challenge to jurisdiction as in this case. Those questions material to the infringement of trademark cause of action are matters to be resolved at the trial by the trial court after hearing all the relevant viva voce evidence ".. In addition, in the case there is another cause of action - passing off which is based on the same facts which we have alluded to. The question whether there was passing off as pleaded by the plaintiff is to be resolved by the trial court after all the evidence viva voce."

(emphasis added).

In this case, due to the false customs declaration, I am satisfied that the MALIMBO cigarettes in the ten containers were not "goods *bona fide* in transit" but were deemed "uncustomed goods" in ss. 2(1) and/or 45 CA. As such, the MALIMBO cigarettes were imported goods within the meaning of the term "import" in s. 2(1) CA as follows:

> **"import" with its grammatical variations and cognate expressions means to bring or cause to be brought into Malaysia by land, sea or air:**
>
> **Provided that goods *bona fide* in transit, including goods for transhipment, shall not, for the purpose of levy of customs duties, be deemed to be imported unless they are or become uncustomed goods**;
>
> (emphasis added).

As explained above, the MALIMBO cigarettes in the ten containers were deemed imported goods under the CA. Accordingly, the first defendant cannot now assert that the MALIMBO cigarettes had not been imported into Malaysia.

A *Whether First Defendant Had Used MALIMBO Mark In Relation To Goods In Class 34*

[40] It is clear that MALIMBO mark had been used on cigarettes (the same Class 34 as the 13 MARLBORO trade marks) in the ten containers.

B *Whether First Defendant Had Used MALIMBO Mark In Such A Manner As To Render Use Of MALIMBO Mark Likely To Be Taken As Being Used As A Trade Mark*

[41] I have no hesitation to decide that MALIMBO mark had been used on cigarettes in this case in such a manner as to render the use of MALIMBO C mark likely to be taken as being used as a trade mark.

Rejection Of First Defendant's Contentions

[42] Firstly, the plaintiff does not rely on s. 70B TMA in this suit.

[43] Secondly, the first defendant cannot rely on *Montex Holdings* and *Nokia* D *Corporation* which:

(a) do not concern provisions similar to our s. 38(1)(a) TMA; and

(b) are decided on laws applicable only to EU Member States (not Malaysia), such as:

E (i) Article 5(1) and (3) of First Council Directive 89/104/EEC (applicable in *Montex Holdings*); and

(ii) Council Regulation 1383/03 (interpreted in *Nokia Corporation*).

[44] I have not overlooked the compound fee paid by first defendant in F respect of the false customs declaration. Upon the first defendant's payment of the compound fee:

(a) no criminal proceedings under CA "shall" be instituted against the first defendant - please see s. 131(3)(a) CA; and

G (b) the ten containers shall be released under s. 131(3)(b) CA.

As explained above, the first defendant's payment of the compound fee only concerns proceedings under CA and does not afford a defence to trade mark infringement and tort of passing off. In fact, the ten containers were subject to the *ex parte* and *inter partes* interlocutory injunctions granted by this court H pending the disposal of this suit.

[45] Finally, *Ng Kim Huat* is easily distinguishable from this case. This is because *Ng Kim Huat* does not involve trade mark infringement but is a case regarding a criminal charge of being knowingly concerned in the conveyance of uncustomed goods to defraud the Government of import duties.

I

Trade Mark Infringement

[46] Based on the above evidence and reasons, this court is satisfied that the plaintiff has discharged the legal and evidential burden to prove on a balance of probabilities that the transhipment of ten containers of MALIMBO cigarettes in Klang Port had infringed the 13 MARLBORO trade marks under s. 38(1)(a) TMA.

Whether First Defendant Had Passed Off MALIMBO Cigarettes As MARLBORO Cigarettes

Elements Of Tort Of Passing Off

[47] My understanding of Malaysian cases has shown the following three tests to decide whether a tort of passing off has been proven:

(a) Gunn Chit Tuan CJ (Malaya) gave the majority judgment of the Supreme Court in *Seet Chuan Seng & Anor v. Tee Yih Jia Food Manufacturing Pte Ltd* [1994] 3 CLJ 7. Mohd Eusoff Chin SCJ (as he then was) dissented in *Seet Chuan Seng* merely on the effect of a restraint of trade clause in the agreement. In other words, Mohd Eusoff Chin SCJ did not disagree with the two tests of passing off as followed by the majority decision in *Seet Chuan Seng*.

In *Seet Chuan Seng*, at p. 15, Gunn Chit Tuan CJ (Malaya) affirmed Lord Diplock's formulation of the tort of passing off in the House of Lords case of *Erven Warnink v. Townend & Sons (Hull) Ltd* [1979] AC 731 as follows:

(i) there is misrepresentation by a defendant;

(ii) defendant's misrepresentation is made in the course of trade;

(iii) defendant's misrepresentation is made to prospective or ultimate consumers of goods or services supplied by defendant;

(iv) defendant's misrepresentation is calculated to injure the plaintiff's business or goodwill in the sense that this is a reasonably foreseeable consequence; and

(v) defendant's misrepresentation causes actual damage to the plaintiff's business or goodwill

(Lord Diplock's test);

(b) Gunn Chit Tuan CJ (Malaya) in *Seet Chuan Seng*, at p. 15, also approved of Lord Fraser's test of passing off in *Erven Warnink*:

(i) plaintiff's business consists of, or includes, selling in England a class of goods to which the particular trade name applies;

(ii) the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods;

A (iii) because of the reputation of the goods, there is goodwill attached to the name;

(iv) the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value; and

B (v) the plaintiff has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendant selling goods which are falsely described by the trade name to which the goodwill is attached

C (Lord Fraser's test); and

(c) in *Sinma Medical Products*, at para. 33, the Court of Appeal followed Lord Oliver's test of passing off in the House of Lords in *Reckitt & Colman Products Ltd v. Borden Inc & Ors* [1990] 1 All ER 873, at 880 as follows:

D (i) plaintiff has goodwill or reputation attached to the goods or services which the plaintiff supplies in the mind of the purchasing public by association with the get-up, brand name, trade description or features of labelling or packaging (which is distinctive of the plaintiff's goods or services);

E (ii) defendant has misrepresented to the public which leads or is likely to lead the public to believe that the defendant's goods or services are the goods or services of the plaintiff; and

(iii) plaintiff must prove that he suffers, or in a *quia timet* action, F he is likely to suffer damage by reason of the defendant's misrepresentation

(Lord Oliver's test).

[48] Regarding the element of damage in a tort of passing off:

G (a) in *Yong Sze Fun & Anor v. Syarikat Zamani Hj Tamin Sdn Bhd & Anor* [2011] 1 LNS 1307; [2012] 1 MLJ 585, at para. 240, Abdul Malik Ishak JCA decided in the Court of Appeal that actual loss or damage need not be proven by a plaintiff in a passing off action. The plaintiff is only required to show a probability of damage to the goodwill attached to the H plaintiff's business or trade;

(b) the majority of the Supreme Court has decided in *Seet Chuan Seng*, at p. 15, that if the goods in question are in direct competition with one another, the court will readily infer the likelihood of damage to the plaintiff's goodwill through loss of sales and loss of exclusive use of the I plaintiff's trade name; and

(c) the High Court has held in *Leo Pharmaceutical Products*, at para. 140, as follows:

> [140] **Loss of exclusivity of the plaintiff's trademarks has been recognized as a separate species of damage which will make up the tort of passing off** (see ***The Scotch Whisky Association v. Ewein Winery (M) Sdn Bhd*****,** at p. 280 **per Abdul Hamid Mohamad J (later CJ Malaya) and P Narayanan, Law of Trade Marks and Passing Off)**. Although that case concerned the use of the geographical indication 'Scotch Whisky, I am of the view that the principle applies equally to the instant case, which involves trademarked goods.
>
> (emphasis added).

[49] It is not disputed that the plaintiff bears the legal burden to prove the tort of passing off on a balance of probabilities against the first defendant.

[50] By reason of s. 82(2) TMA, the tort of passing off is independent of trade mark infringement - please see the Federal Court's judgment in *Mesuma Sports*, at para. 24.

First Defendant Had Passed Off MALIMBO Cigarettes As MARLBORO Cigarettes

[51] Applying Lord Diplock's test, it is clear that the first defendant had passed off MALIMBO cigarettes in the ten containers as MARLBORO cigarettes. This decision is premised on the following reasons:

(a) first defendant had misrepresented MALIMBO cigarettes in the ten containers as MARLBORO cigarettes. This is clear from the close resemblance between MALIMBO cigarettes and MARLBORO cigarettes which is likely to deceive and/or confuse consumers and traders in cigarettes - please see the above paras. 29-32

(b) first defendant's misrepresentation was made in the course of trade- please see the above paras. 33-39;

(c) first defendant's misrepresentation was made to prospective or ultimate consumers of cigarettes supplied by first defendant; and

(d) first defendant's misrepresentation was calculated to injure the plaintiff's business and goodwill in MARLBORO get up and trade name (MARLBORO goodwill) in the sense that this was a reasonably foreseeable consequence. Such a calculated act was fortified by the false customs declaration; and

(e) it is likely that first defendant's misrepresentation had caused damage to the plaintiff's business and MARLBORO goodwill. This is because MALIMBO cigarettes and MARLBORO cigarettes are in direct competition with one another and consequently, the court will readily infer that the plaintiff has lost sales of MARLBORO cigarettes and the exclusive use of MARLBORO get up and trade name - please see the Supreme Court's majority judgment in *Seet Chuan Seng*, at p. 15.

[52] The first defendant had committed the tort of passing off against the plaintiff regarding the ten containers of MALIMBO cigarettes based on an application of Lord Fraser's test:

(a) the plaintiff's business consists of selling MARLBORO cigarettes in Malaysia and MARLBORO cigarettes is a class of goods to which the particular MARLBORO get-up and trade name apply;

(b) MARLBORO cigarettes is a class of goods which is clearly defined in the minds of the Malaysian public and the MARLBORO get-up and trade name distinguish MARLBORO cigarettes from other cigarettes;

(c) because of the reputation of MARLBORO cigarettes, there exists MARLBORO goodwill;

(d) the plaintiff is the owner of MARLBORO goodwill in Malaysia which is of substantial value; and

(e) the plaintiff has suffered, or is really likely to suffer, substantial damage to the plaintiff's property in MARLBORO goodwill by reason of the first defendant's transhipment of MALIMBO cigarettes which closely resemble MARLBORO cigarettes as is likely to deceive and/or confuse consumers and traders in cigarettes - please see the above paras 29-32 G(5).

[53] This court is satisfied that the first defendant had passed off MALIMBO cigarettes in the ten containers as MARLBORO cigarettes based on an application of Lord Oliver's test:

(a) the plaintiff has goodwill and reputation attached to MARLBORO cigarettes which the plaintiff supplies in the mind of the purchasing public by association with MARLBORO get up and trade name (which are distinctive of MARLBORO cigarettes);

(b) the first defendant has misrepresented to the public which leads or is likely to lead the public to believe that MALIMBO cigarettes are the plaintiff's cigarettes; and

(c) the plaintiff has proven that the plaintiff has suffered or is likely to suffer damage by reason of the first defendant's misrepresentation.

Illicit Tobacco Trade (ITT)

[54] In the Supreme Court case of *Pembangunan Maha Murni Sdn Bhd v. Jururus Ladang Sdn Bhd* [1985] 1 LNS 122; [1986] 2 MLJ 30, at 32, Syed Agil Barakbah SCJ decided as follows:

> *... The important point to note is that section 57 does not prohibit the courts from taking judicial notice of other facts not mentioned therein. The matter which the Court will take judicial notice must be the subject of common and general knowledge and its existence or operation is accepted by the public without qualification or contention. The test is that the facts involved must be so sufficiently notorious that it becomes proper to assume its existence without proof. The opponent, however, is not prevented*

from disputing the matter by adducing evidence if he disputes it. (See Sarkar on Evidence, 13th Edn. paras. 606-609). Judicial knowledge is continually extended to keep pace with the advance of art, science and general knowledge. Subsections (2) and (3) of section 57 provide discretionary power to the Court to resort to the aid of appropriate books or documents of reference in all matters of public history, literature, science or art.

(emphasis added).

[55] The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. FATF's recommendations are recognised as the global standard for anti-money laundering and counter-terrorism financing measures.

[56] In June 2012, FATF released a report on ITT (FATF's report). Paragraphs 11 and 210 of FATF's report state as follows:

11. *Various studies concur that [ITT] accounts for a significant percentage of the global cigarette market. The revenues generated by this are estimated to amount to tens of billions of dollars. These revenues are usually hidden from taxation regimes ad may also be used to fund other forms of crime and terror. ...*

...

210. A review of existing literature on the subject provided an overview of the nature and extent of ITT. **The implications to arise from unabated smuggling activities were**:

(a) **Deprivation of tax revenues to governments.**

(b) **Redirection of limited government resources to address illicit activities associated with this specific commodity.**

(c) A disproportionate effect and impact on health services. This is exacerbated by decreases in tax revenue and simultaneously fuels debate to increase taxes on the specific commodity which in turn stimulates the incentive to increase smuggling activities.

(d) **Legitimate brand holders struggle to compete in and against an unfairly created market.**

(emphasis added).

[57] Based on s. 57 EA and *Pembangunan Maha Murni*, this court may take judicial notice of the rampancy and adverse effect of ITT (as stated in FATF's report) which is "common and general knowledge and its existence or operation is accepted by the public without qualification or contention". Furthermore, the prevalence of ITT is "so sufficiently notorious that it becomes proper to assume its existence without proof".

[58] The above decision regarding the first defendant's liability for trade mark infringement and tort of passing off, is supported by policy consideration to combat ITT which is rampant. If the first defendant is

allowed to evade liability for trade mark infringement and tort of passing off in this case, this will embolden counterfeit cigarette syndicates, infringers of registered trade marks of cigarettes and tortfeasors (who commit the tort of passing off regarding cigarettes) to use Malaysian ports, airports and territory to transit illicit cigarettes.

Can First Defendant Counterclaim Against Plaintiff?

[59] Based on the above evidence and reasons, I have allowed the plaintiff's claim against the first defendant for trade mark infringement and the tort of passing off. Consequently:

(a) the plaintiff's suit against the first defendant is not frivolous, vexatious and/or an abuse of court process;

(b) the first defendant cannot enforce the plaintiff's undertaking to pay damages (given to court when the plaintiff applied for and obtained *ex parte* and *inter partes* interlocutory injunctions); and

(c) the counterclaim is dismissed with costs.

[60] Even if this court has dismissed the plaintiff's claim against the first defendant, nevertheless the counterclaim cannot succeed. This is due to the one or more of the following reasons:

(a) a dismissal of the plaintiff's suit against the first defendant does not *ipso facto* mean that the plaintiff's suit is frivolous, vexatious and/or an abuse of court process. If the plaintiff's action is frivolous, vexatious and/or an abuse of court process, instead of filing the counterclaim, the first defendant should have applied to court to strike out the plaintiff's suit under O. 18 r. 19(1)(b), (d), O. 92 r. 4 RC and/or pursuant to the court's inherent jurisdiction. Such an application was however not filed by the first defendant; and/or

(b) in the Federal Court case of *Tenaga Nasional Bhd v. Kamarstone Sdn Bhd* [2014] 1 CLJ 207; [2014] 2 MLJ 749, at paras. 12-14 (*TNB*'s case), Jeffrey Tan FCJ has explained three meanings of a cause of action as follows:

> [12] In *Letang v. Cooper* [1965] 1 QB 232, at pp 242-243, *Lord Diplock defined a 'cause of action' as 'a factual situation the existence of which entitles one person to obtain from the court a remedy against another', which definition was adopted in Hock Hua Bank Bhd v. Leong Yew Chin* [1987] 1 MLJ 230, where Abdul Hamid Ag LP, as he then was, appended that 'there must be a cause of action before a plaintiff can claim a relief in an action'. In *Government of Malaysia v. Lim Kit Siang United Engineers (M) Berhad v. Lim Kit Siang* [1988] 2 MLJ 12 *at p 19, the Supreme Court per Salleh Abbas CJ, expounded that to make up 'a cause of action, first, the plaintiff has a right at law or by statue and secondly, the right has been affected by the act of the defendant*:

> [13] But other than that addendum by Salleh Abas CJ, the definition of 'cause of action' as expounded in *Letang v. Cooper* was readily adopted, by the former Supreme Court in *Newacres Sdn Bhd v. Sri Alam Sdn Bhd* [1991] 3 MLJ 474 and *New Zealand Insurance Co Ltd v. Ong Choon Lin (t/a Syarikat Federal Motor Trading)* [1992] 1 MLJ 185,and by the Court of Appeal in *Indah Desa Saujana Corp Sdn Bhd & Ors v. James Foong Cheng Yuen, Judge, High Court Malaya & Anor* [2008] 2 MLJ 11, *Lembaga Kumpulan Wang Simpanan Pekerja v. Ong Lian Chee (suing as administrator of the estate of Goh Tin Poh, deceased)* [2010] 4 MLJ 762, and *Harapan Permai Sdn Bhd v. Sabah Forest Industries Sdn Bhd* [2011] 2 MLJ 192.
>
> [14] Other authorities, *inter alia*, *Tuan Haji Ishak bin Ismail & Ors v. Leong Hup Holdings Bhd and other appeals* [1996] 1 MLJ 661, *Mohamed Yusop bin Abdul Wahab v. American Express (M) Sdn Bhd* [2002] 6 MLJ 507, *Goh Joon v. Kerajaan Negeri Johor & Ors* [1998] 7 MLJ 621, applied the following definition found in *Stroud's Judicial Dictionary* (5th Ed) at p 378: *A 'cause of action' is the entire set of facts that gives rise to an enforceable claim; the phrase comprises every fact which, if traversed, the plaintiff must prove in order to obtain judgment (per Esher MR, Read v. Brown (1888) 22 QBD 128; this case was applied in Bennett v. White [1910] 2 KB 643).*
>
> (emphasis added).

I am of the view that the first defendant has no cause of action (within the three meanings of a cause of action as explained in *TNB*'s case) against the plaintiff so as to sustain the counterclaim. On this ground alone, the counterclaim should be dismissed with costs.

[61] I have not overlooked the first defendant's prayer for a declaration that the first defendant had not infringed MARLBORO trade marks (first defendant's prayer for declaration). Under s. 41 of the Specific Relief Act 1950 (SRA) and O. 15 r. 16 RC, the court has a discretion to grant declaratory relief even though the applicant has no cause of action - please see Arifin Zakaria FCJ's (as he then was) judgment in the Federal Court case of *Al Rashidy Kassim & Ors v. Rosman Roslan* [2007] 3 CLJ 361, at 375. I have exercised my discretion under s. 41 SRA and O. 15 r. 16 RC to refuse first defendant's prayer for declaration on one or more of the following grounds:

(a) as explained above, the first defendant had committed trade mark infringement and the tort of passing off; and/or

(b) a false customs declaration had been made in respect of the contents of the ten containers in this case.

Should Compensatory, Exemplary And Aggravated Damages Be Awarded Against First Defendant?

[62] After I have delivered my oral decision in this case, the plaintiff took some time to consider whether to apply for compensatory damages or an account of profit from the first defendant. The plaintiff subsequently

informed the court that the plaintiff had elected for compensatory damages in respect of the trade mark infringement and tort of passing off. Hence, I ordered:

(a) an inquiry to be conducted by the learned Registrar as to the amount of compensatory damages (compensatory damages) to be paid by the first defendant to the plaintiff (inquiry);

(b) costs of the inquiry shall be paid by the first defendant to the plaintiff (inquiry costs) and the amount of inquiry costs shall be assessed by the Registrar; and

(c) first defendant shall pay interest at the rate of 5% per annum on the compensatory damages to the plaintiff from the date of filing of this suit until full payment of the compensatory damages.

[63] In the House of Lords case of *Rookes v. Barnard* [1964] 1 All ER 367, at 410-411, Lord Devlin has decided that exemplary damages may be awarded by the court if the first defendant's conduct in this case had been calculated by the first defendant to make a profit for the first defendant which might exceed compensatory damages. I exercise my discretion to award exemplary damages of RM300,000 (exemplary damages) because the following conduct of the first defendant was calculated by the first defendant to make a profit for the first defendant which might exceed compensatory damages:

(a) a false customs declaration had been made regarding the contents of the ten containers; and

(b) the first defendant had paid the compound fee to RMCD without filing third party proceedings against the fifth defendant (to claim for an indemnity from the fifth defendant in respect of the compound fee).

This court awards interest at the rate of 5% per annum on the exemplary damages to be paid by the first defendant to the plaintiff from the date of award of exemplary damages until full payment of exemplary damages.

[64] As compensatory and exemplary damages have been awarded to the plaintiff, I decline to exercise my discretion to award aggravated damages. This is because if aggravated damages are ordered against the first defendant:

(a) this will give the plaintiff an unjust windfall; and

(b) this may unjustly cripple the first defendant financially.

Whether Court Can Order RMCD To Destroy MALIMBO Cigarettes

[65] My research does not reveal any previous Malaysian case wherein the court in a civil case has ordered RMCD to destroy goods which have been initially seized by RMCD.

[66] I am of the view that the civil court has a discretion to grant a perpetual mandatory injunction to order RMCD to destroy MALIMBO cigarettes in the ten containers at the first defendant's expense. Such a discretionary power is clear from s. 53 SRA and its illustration (g) as follows:

> Mandatory injunctions
>
> s. 53. **When, to prevent the breach of an obligation, it is necessary to compel the performance of certain acts which the court is capable of enforcing, the court may in its discretion grant an injunction** to prevent the breach complained of, and also **to compel performance of the requisite acts**.
>
> ILLUSTRATIONS
>
> (g) **In the cases put as illustrations (s) and (t)** [Illustration (t) to s 52
>
> SRA concerns Trade Mark Infringement] **to section 52**, and as illustrations (e) and (f) to this section, **the court may also order** the copies produced by piracy, and **the trade marks**, statements, and communications, **therein respectively mentioned, to be** given up or **destroyed**.
>
> (emphasis added).

[67] I exercise my discretion under s. 53 SRA and its illustration (g) to order RMCD to destroy MALIMBO cigarettes in the ten containers at the first defendant's own expense because:

(a) as explained above, the first defendant had committed trade mark infringement and tort of passing off; and

(b) the first defendant is a foreign entity and may not carry out any court order to destroy the MALIMBO cigarettes, especially when storage charges incurred by the ten containers, may be exorbitant.

Court's Decision

[68] Premised on the above evidence and reasons, the plaintiff's suit is allowed and the counterclaim is dismissed with the following orders:

(a) a perpetual prohibitory injunction is granted to restrain first defendant from infringing MARLBORO trade marks and to pass off MALIMBO cigarettes as MARLBORO cigarettes;

(b) a perpetual mandatory injunction is given to order RMCD to destroy MALIMBO cigarettes in the ten containers at the first defendant's own expense;

(c) Inquiry shall be conducted by the Registrar to assess compensatory damages payable by first defendant to plaintiff;

A (d) interest at the rate of 5% per annum shall be imposed on the sum of compensatory damages assessed by the Registrar at the inquiry, if any, and shall be paid by first defendant to plaintiff from the date of filing of this action until the date of full payment of compensatory damages;

B (e) amount of inquiry costs shall be assessed by the Registrar and shall be paid by first defendant to plaintiff;

(f) first defendant shall pay exemplary damages to plaintiff with interest at the rate of 5% per annum on exemplary damages from the date of award of exemplary damages until full payment of exemplary damages;

C (g) costs of the plaintiff's action and counterclaim shall be paid by first defendant to plaintiff (costs sum);

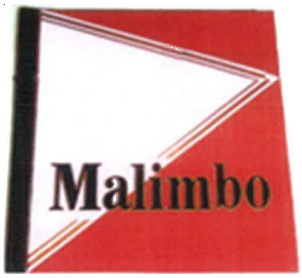
(h) interest at the rate of 5% per annum shall be imposed on the costs sum from the date of assessment of the costs sum until full payment of costs sum; and

D (i) an allocatur fee shall be imposed on the costs sum.

[69] This judgment sends a clear message that Malaysian ports, airports and territory cannot be used to transit goods by any mode which infringes Malaysian registered trade marks or which constitute the subject matter of E a tort of passing off (actionable in Malaysia).

Annexure A

F



G

H

I

A

Annexure B – MARLBORO Roof Device & Roof Line Device

B

C

D

E

F

G

H

I

A

B

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D

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G

H

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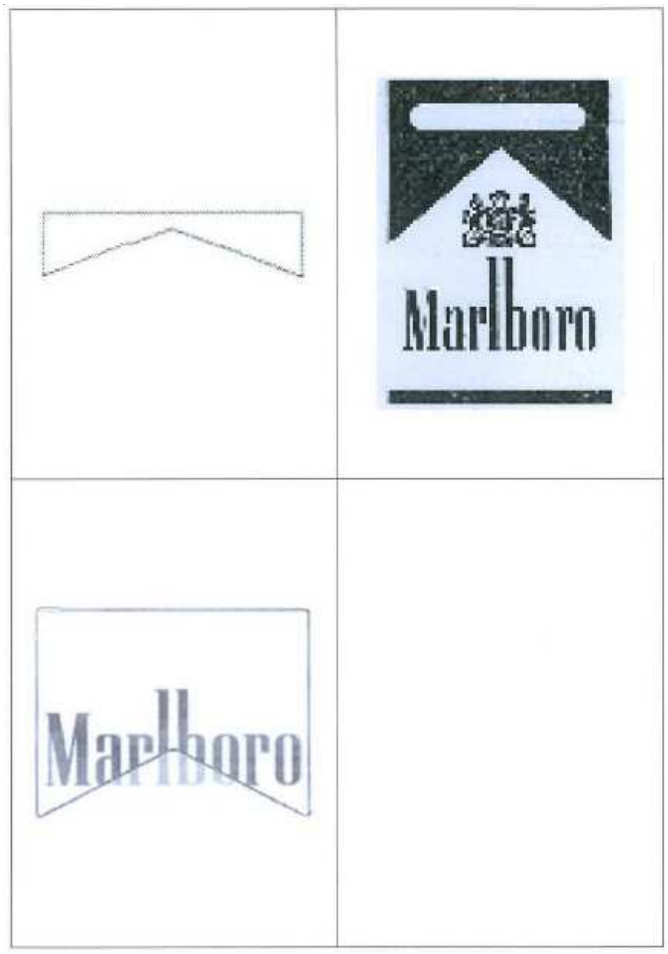
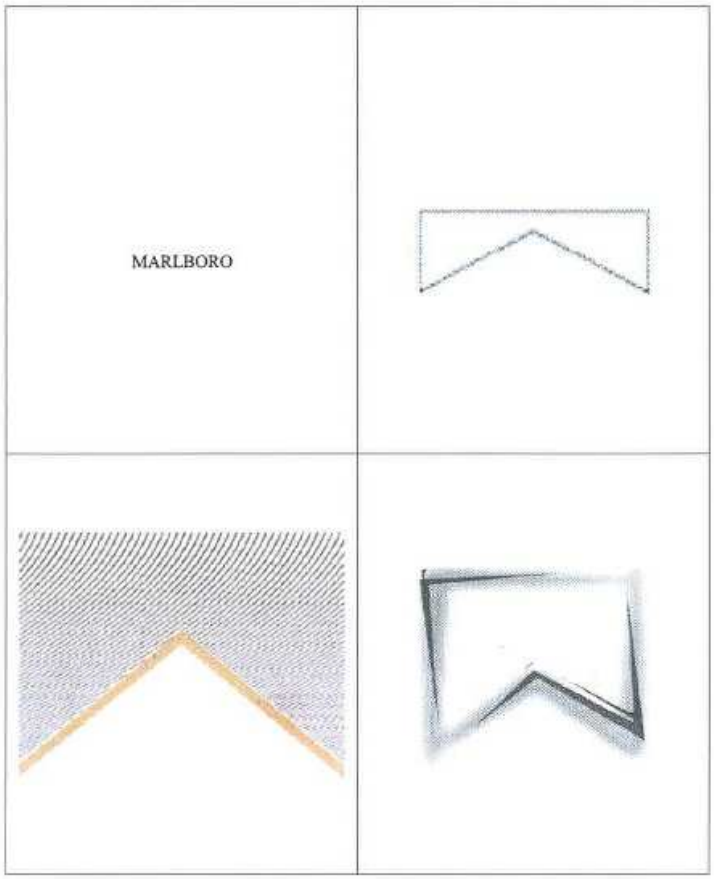


Annexure C – MARLBORO Roof Device Variation

A

Annexure D – 13 MARLBORO Trade Marks

B



C

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I

Marlboro
Marlboro
Marlboro
Marlboro

A

B

C

D

Annexure E – Comparison

E

	MARLBORO Marks			MALIMBO Label
1	Marlboro	and	Marlboro	Malimbo
2	Marlboro	and	Marlboro	Malimbo
3	Marlboro	and	Marlboro	Malimbo

F

G

H

I

Marlboro
Marlboro
Marlboro